

The 2010 Utah Cost of Financial Exploitation

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1.0 Introduction

Every day in this nation seniors are exploited. These seniors, heralded as our greatest generation, are now under attack in one of the grimmest battles — the fight against financial exploitation. But unlike other battles they've faced, the enemies are often those closest to them and ones they least expect — family members and close friends. The crime often goes unidentified and unreported, as many seniors who are financially exploited find it too painful to report or too embarrassing to admit.

Exploitation is not prejudiced against race, social position or financial status. It can happen to any senior. Yet while there is little national data on financial exploitation and the exact costs of financial exploitation are largely unknown, the effects are felt by all of us: families, businesses, taxpayers, government programs such as Medicaid, and seniors.

Adult Protective Services (APS) workers — the frontline fighting this battle — have taken and continue to take significant deep budgets cuts to their programs across the nation while still maintaining the requirements to address elder abuse under the Older Americans Act. Compounding this issue is the fact that little research has been done to show the extent of financial exploitation and exactly how exploiters are accessing these funds. While the costs of domestic violence have been calculated for decades, a cost analysis of financial exploitation using APS records has never been undertaken. Thus, workers are left to advocate for seniors using anecdotal stories with little supporting data.

As a full-time Legal Services Developer charged with coordinating the legal service delivery system that includes APS, I began to examine the costs of financial exploitation, the methods exploiters are using to access seniors' assets, and many other variables using data from APS cases. This exploratory research, summarized herein attempts to paint a picture for policy makers of the importance of financial exploitation, the potential costs of exploitation, and the need to conduct research in this area, as well as to help understand how financial exploitation is occurring in order to better target prevention efforts. Based on the exploratory research we estimate that Utah seniors, businesses, and the government could have lost \$7,704,729 in 2010 due to financial exploitation.

2.0 Study Design

This exploratory study from the Utah Division of Aging and Adult Services provides an introductory examination of the cost of financial exploitation to Utah seniors. The purpose was to attempt to calculate the financial loss to Utah seniors, financial institutions, and government entities; and to also determine the variables and methods perpetrators employ to exploit. This report serves as a tool to help our local Adult Protective Services program to have more effective and targeted prevention.

The Utah Cost of Financial Exploitation Study was conducted by examining all the supported financial exploitation cases of Utah APS involving those sixty years old and older. Eighty supported cases in 2010 were reviewed in-depth to determine

financial loss. Cases were reviewed regarding dollar amount taken and property stolen. In cases involving property, we gathered as much information as provided in the case notes to determine the value of that lost property. In fewer than 10% of the cases, we did not have all the facts to make an exact valuation on one method of exploitation in the case (many cases had more than one method used to exploit). In these circumstances we always erred on the fiscally conservative side using the average amount exploited for that method of exploitation, as well as the average cost of a like property. For example, if a 2003 Ford Taurus was listed as stolen with no additional details describing the vehicle, we estimated the value using the average value of a 2003 Ford Taurus listed in the Kelly Blue Book, assumed it was in fair condition, and estimated the number of miles on it by the average amount of miles a person drives in a given year.

To conduct valuations we used the Kelly Blue Book, Utah sold real estate numbers, Zillow real estate heat maps, KSL.com classifieds, and consulted with local pharmacists, insurance life expectancy tables, and other valuation tools. We looked for as much information as possible to make accurate valuations, including the location of the real property and the average price of homes selling in that area over the last six months; model, make, usage and condition of the car; and average out-of-pocket prices for medications. We also used the average 2010 Utah Medicaid cost for a Utah senior (\$21,572) in conjunction with consulting the life expectancy table to determine how many years the senior might be on Medicaid. We assumed that the assets of these seniors would remain stagnant and thus be on Medicaid for the duration of their life.

Cases that did not have enough evidence to be supported were not examined; other agencies more so than Adult Protective Services receive reports regarding scam artists, insurance fraud, telemarketing fraud and other like fraud; thus, it could be possible that the costs of financial exploitation to Utah seniors are higher than reflected in this study.

Examining financial exploitation without attempting to account for unreported cases would not be telling the entire story. It would be comparable to calculating the number of drivers that speed by only examining the number of drivers who receive

tickets without taking into account those that receive warnings and those who speed and do not get caught.

It is well established that there are a substantial amount of unreported financial exploitation cases.¹ Studies differ on the number of cases unreported. In a recent study in New York, researchers calculated that for every 1 reported financial exploitation case, 44 go unreported.² Another study stated that 1 in 25 is reported.³ In estimating a range for the dollar amount lost, we used the above figures but made our conservative hypothesis of how many cases go unreported based on statistics from government officials and reports⁴ which state that only 1 out of every 10 seniors report abuse.

This study explores the potential costs of financial exploitation, variables involved in exploitation, relationships to victims, and provides dollar amounts based on estimations, statistics and hypotheses. It highlights the importance of examining the costs of financial exploitation and need for further research in this area. It is the first step of many needed to capture the true cost of financial exploitation to our society.

This study did not assess financial losses associated with physical, sexual, or emotional abuse.

¹ Humphrey, T. (2003). Nichols Seeks Stiffer Laws Against Elder Abuse; Knox Attorney General Says State Needs to Get Tough on Scam Artists, KNOXVILLE NEWS-SENTINEL; Camron, V. Abuse of Elders Goes Unreported, Committee Says; Group's Goal Is Prevention, CHI. TRIB., Mar. 24, 2004, Morrison, J. Fraud and the Elderly, MONT. LAW., Mar. 2003,

² (2011). New York State Elder Abuse Prevalence Study. Cornell University.

³ Wasik, J.F. (2000). The fleecing of America's elderly. Consumer's Digest, March/April.

⁴ Id.; (1998). The National Elder Abuse Incidence Study. National Center on Elder Abuse.

2.1 Variables Examined

All 80 supported Adult Protective Services financial exploitation cases were included in the study. There were two phases to this study. The first was a valuation of financial loss. The second was a more in-depth examination of several variables including —

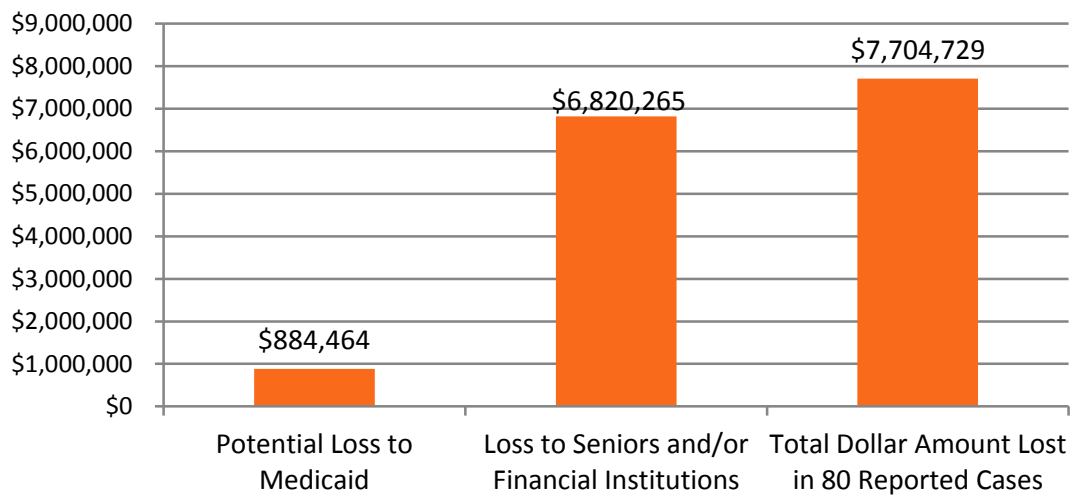
- Who made the referral
- The perpetrator's relationship to the victim
- Type of financial exploitation
- Method used by the perpetrator
- Subsequent Medicaid eligibility

3.0 Findings

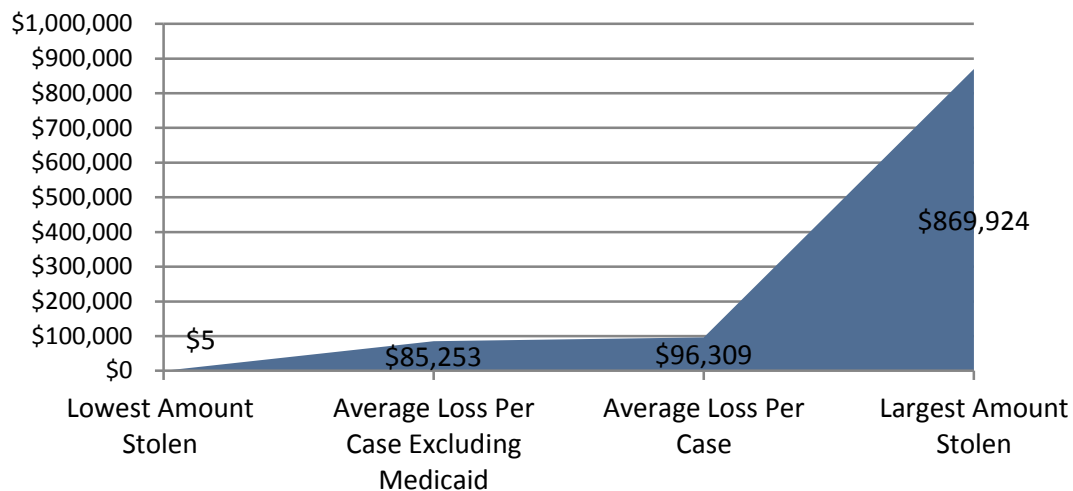
3.1 Financial Losses Due to Financial Exploitation

Out of the 80 cases reviewed, \$7,704,729 was lost due to stealing seniors' assets. The loss to Medicaid could potentially be \$884,464. The amount stolen from seniors that could be either a loss to the senior or a subsequent loss to financial institutions is \$6,820,265.

**Chart A - Dollar Amount Lost
(Supported Cases)**

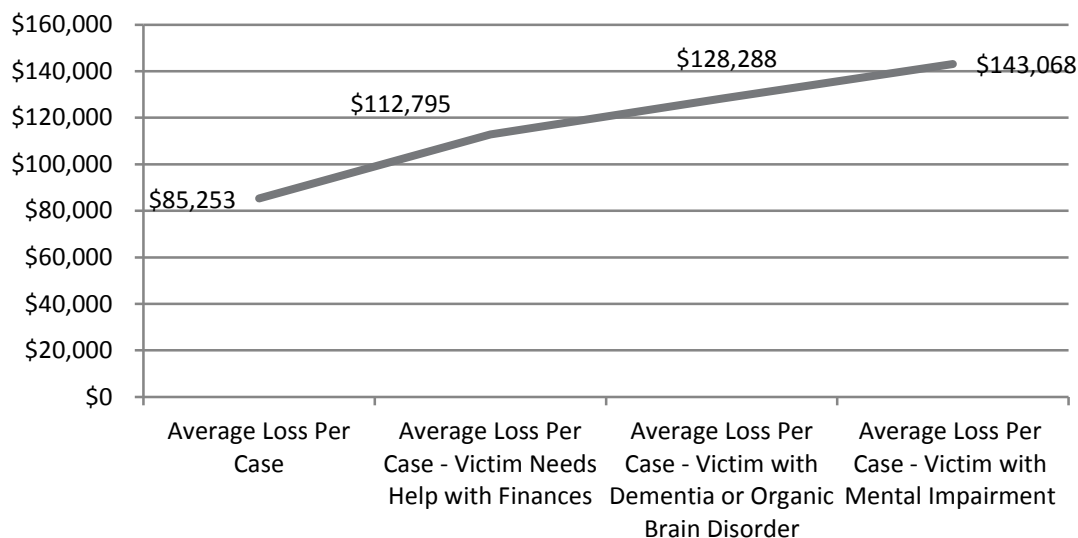


**Chart B - Range of Dollar Amount Lost and
Average Loss Per Case for Reported Cases**



The range stolen was from \$5 to \$869,924. The average loss per case is \$96,309 (excluding the Medicaid loss, the average amount exploited per case is \$85,253).

Chart C - Average Loss Per Case Involving Victims with Mental Impairments (without Medicaid Losses)



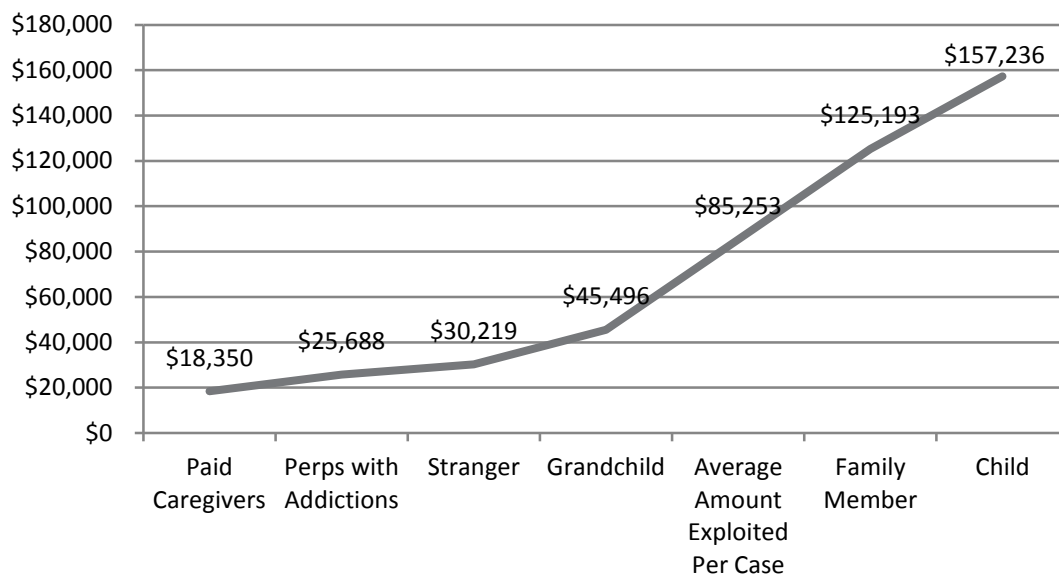
Perpetrators are taking advantage of the vulnerability of seniors with mental impairments and memory issues. The victims in these cases lose a disproportionate amount compared to victims without impairments. This highlights the imminent need to protect these vulnerable populations and to create tools and safeguards for this population.

About a third of the cases of the total support cases involved victims with dementia or organic brain disorder. The average loss per case involving a victim with dementia (or organic brain disorder) is \$128,288 without Medicaid. This is 50% more than the average loss per case.

Victims with a mental impairment are also exploited to a great degree. A mental impairment includes dementia, short-term memory loss, and mental illness among other things that results in limited or lack of capacity to consent. The average exploitation is \$143,068. (If potential Medicaid losses are included, the average loss is \$171,600, a 78% increase in the average loss per case.)

Not surprisingly, in more than half the cases victims needed some assistance or total assistance in managing their financial affairs. The average loss per case involving a victim needing help with their finances (without Medicaid) is \$112,795.

Chart D - Average Amount Exploited Per Case by Type of Perpratrator (without Medicaid)



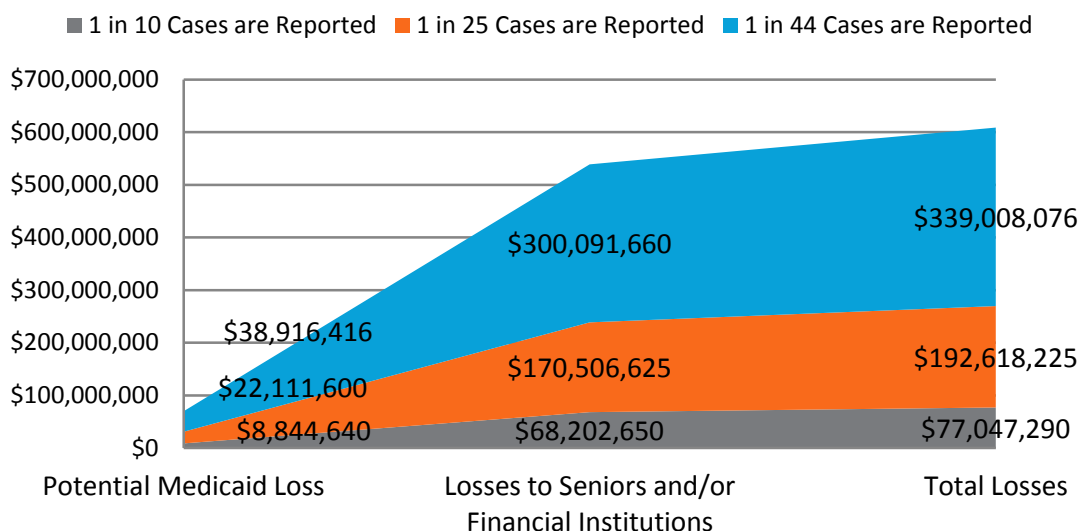
The average age of a victim is 79. The average age of a perpetrator is 41, though perpetrators can come from all walks of life. The above chart shows the following mean losses by perpetrator type:

- The average loss per case when a child is the perpetrator is \$157,326.
- The average loss per case when a family member is the exploiter is \$125,193 (a 47% increase over the average exploitation).
- The average loss per case when a grandchild is the perpetrator is \$45,496.
- The average loss per case when a paid caregiver is the perpetrator is \$18,350.

- The average loss per case when a perpetrator had some sort of addiction (alcohol, gambling) was \$25,688.
- The average loss per case when a stranger is the perpetrator is \$30,219.

Not only are family members the perpetrators in more than half the supported cases, children are exploiting 85% more than the average amount lost in each case.

Chart E - Range of Projected Losses



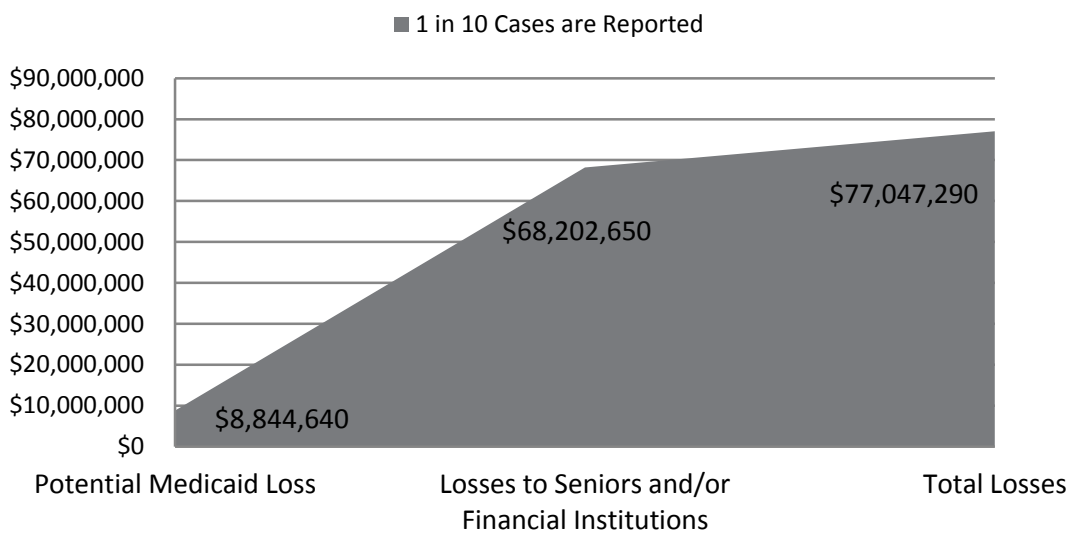
It is well established that there are a substantial amount of unreported financial exploitation cases.⁵ To accurately estimate the costs of financial exploitation, unreported cases must also be evaluated. We can look to national prevalence studies to estimate these costs. Studies and reports estimate that for every 1 financial exploitation case reported anywhere from 10 to 44 go unreported (see page 3).⁶ Considering these estimates and assuming that unreported cases are

⁵ Humphrey, T. (2003). Nichols Seeks Stiffer Laws Against Elder Abuse; Knox Attorney General Says State Needs to Get Tough on Scam Artists, KNOXVILLE NEWS-SENTINEL; Camron, V. Abuse of Elders Goes Unreported, Committee Says; Group's Goal Is Prevention, CHI. TRIB., Mar. 24, 2004, Morrison, J. Fraud and the Elderly, MONT. LAW., Mar. 2003,

⁶ (2011). New York State Elder Abuse Prevalence Study. Preliminary report. Cornell University.

valued at the same cost as reported cases, the cost of stealing seniors' assets could range anywhere from \$77 million to \$339 million of losses a year.

Chart F - Our Estimate of Projected Losses



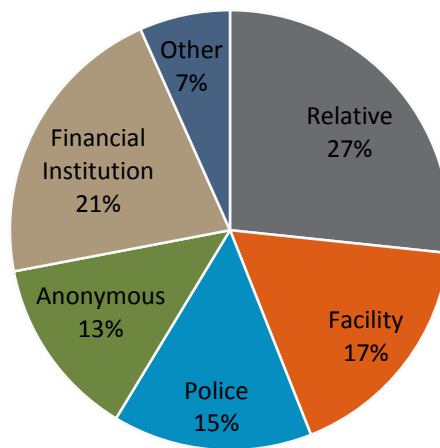
3.2 Referrals made to Adult Protective Services

Chart G shows that of the 80 reported case referrals:

- 27% came from relatives of the victim
- 21% came from financial institution employees
- 15% came from the police
- 7% came from other sources, including paid caregivers, doctors and church clergy

Only one percent of supported referrals came from a doctor. This shows that Adult Protective Services needs to work with doctors and the medical field to recognize and report suspected financial exploitation.

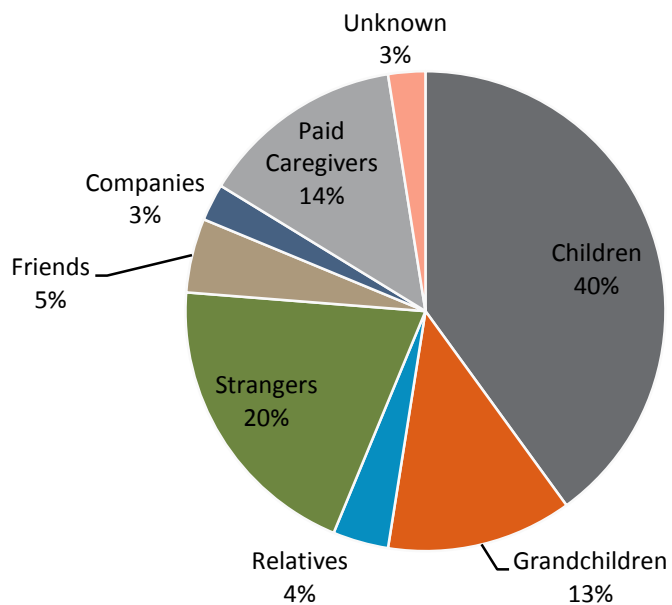
Chart G - Referent Type



3.3 Perpetrators' Relationship to the Victim

The majority of perpetrators (56%) were family members. This reflects national data and also indicates that those who perpetrate are taking advantage of their close relationship with senior family members.⁷

Chart H - Perpetrator Relationship to Victim



⁷ We round decimals to the nearest whole number. This explains why the above pie chart adds up to 102%.

3.4 Methods Used to Exploit

To learn more about prevention, we examined the methods perpetrators were using to exploit seniors. We found they were doing so in the following ways:

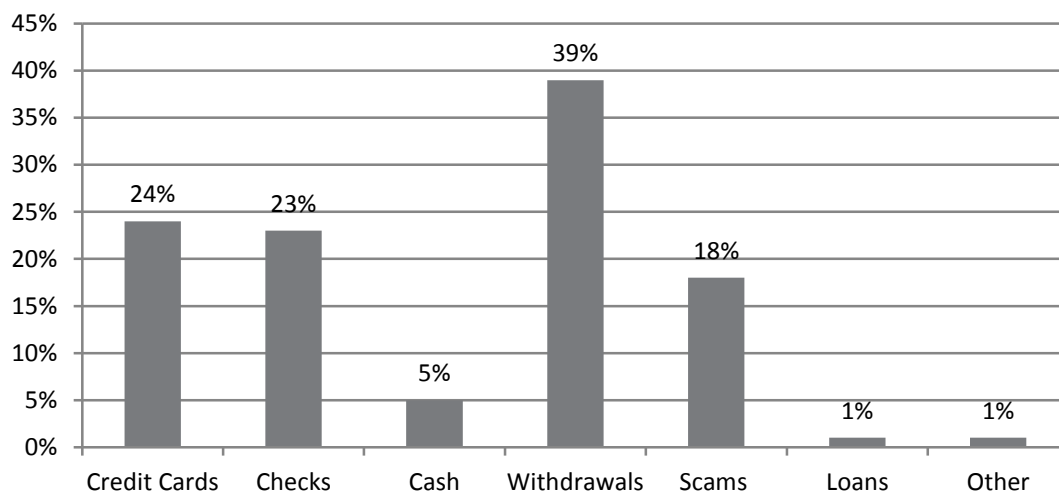
Finances

- Scam
- Withdrawals from bank account
- Cash
- Check (forgery)
- Credit Card (identity theft, or “borrow card”)
- Loans

Property

- Personal property
- House (stole through transferring the property)
- Car theft or “borrowing”
- Rent (living off senior despite agreement)
- Medicaid (exploited senior now forced to be dependent on Medicaid)

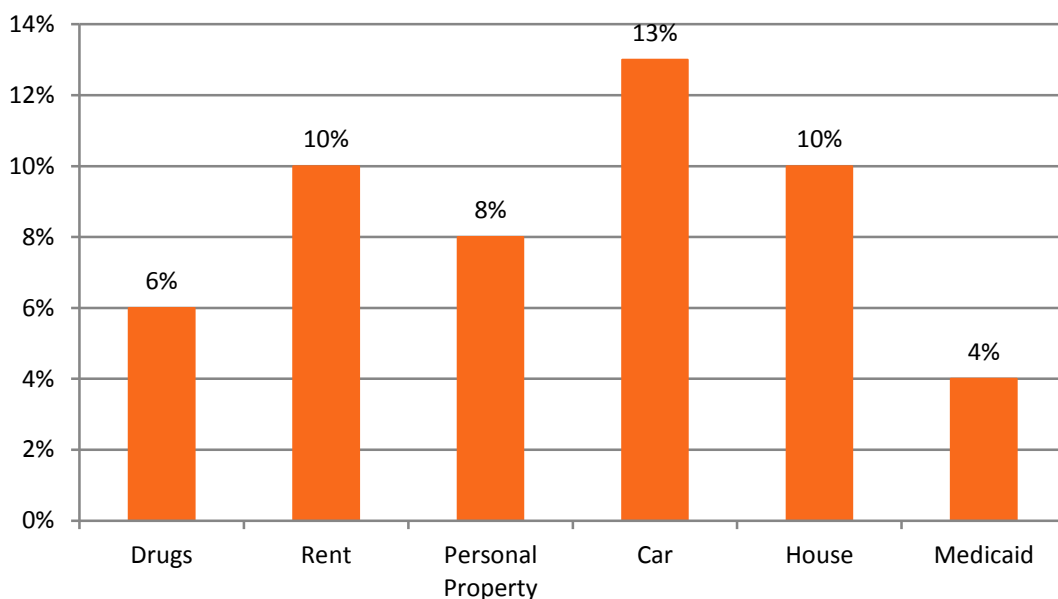
**Chart I - Finances: Frequency of Methods
Multiple Methods Possible**



We found that the most frequent methods used to exploit seniors in the finances category were bank withdrawals (39%), credit cards (either misuse or identity theft) (24%), stealing and forging checks (23%). We also found that many perpetrators were using more than one method to exploit; thus increasing the frequency of the categories of methods used.

Most often, seniors were exploited because they needed help with their finances and a family member was improperly using the money; or a family member was accessing their finances without permission. Yet, in the majority of these cases the senior(s) had someone in their life (another family member or trusted friend) who by chance observed the exploitation. In about 50% of the cases, if the senior had a trusted monitor observing the account and/or the agent making purchases on behalf of the senior, the exploitation would have been caught sooner or prevented altogether.

**Chart J - Property: Frequency of Methods
Multiple Methods Possible**

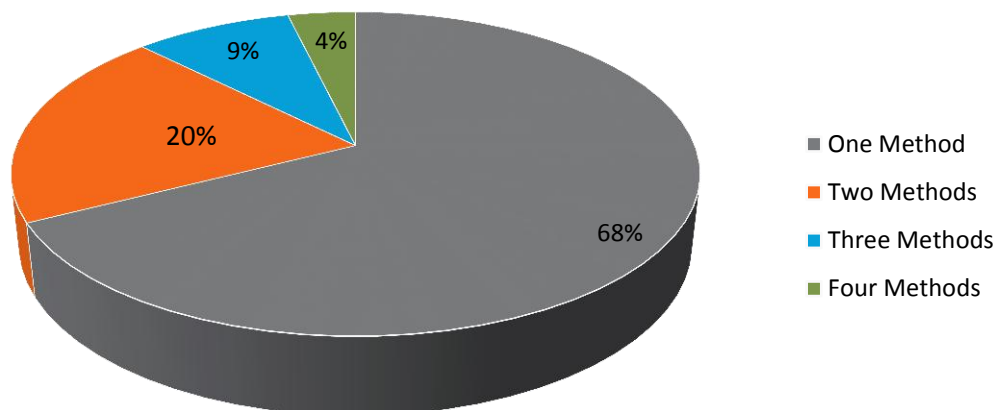


The most frequent methods used to exploit seniors in the property category were stealing or borrowing the car (13%), living off the senior without paying rent despite an agreement to (10%), and stealing a home (10%). Again we found that many perpetrators were using more than one method to exploit, thus increasing the frequency of the categories of methods used.

3.5 Number of Methods Used per Case

Perpetrators are using multiple methods to exploit seniors. In 33% of the cases, perpetrators are using more than one method to exploit. In 68% of the cases perpetrators are using one method to exploit.⁸

Chart K - Number of Methods Used

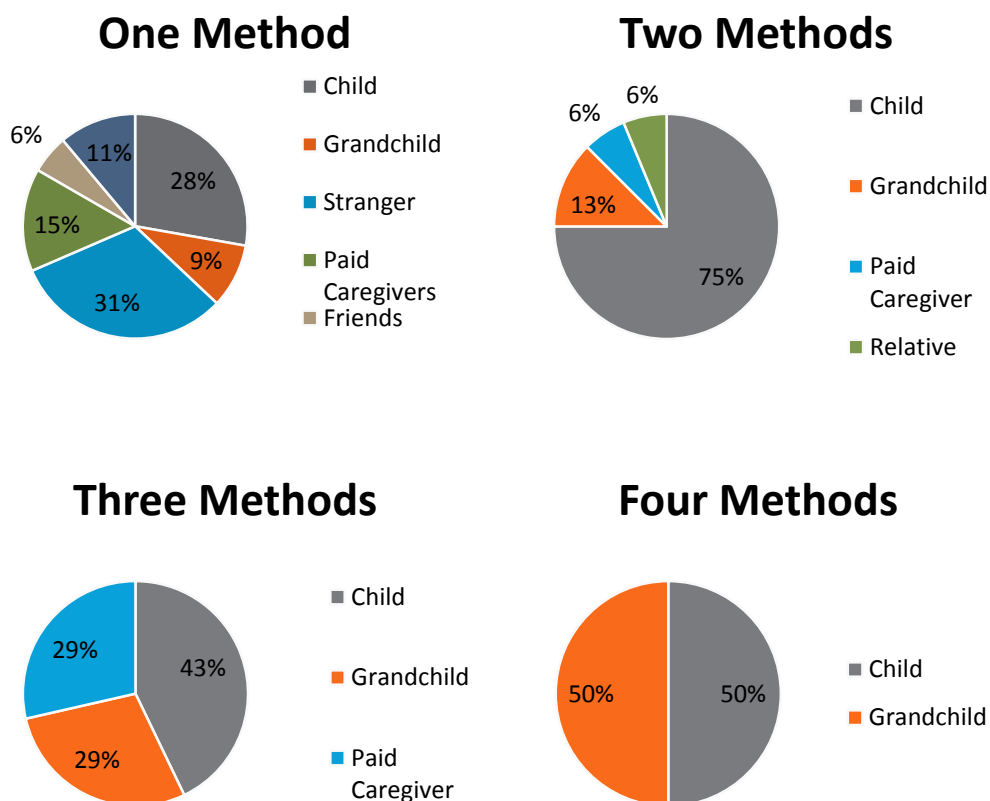


⁸ We round decimals to the nearest whole number. This explains why the above pie chart adds up to 101%.

3.6 Comparing Frequency of Methods Used & Relationship with Perpetrator-Victim

Analysis of the perpetrators' relationship with the victim and the number of methods used by the perpetrator showed a definitive trend. Strangers and friends were more likely to use one method to exploit. Those closer to victims—children and grandchildren—were more likely to employ two, three and four types of exploitation methods.

Chart L - Number of Methods Used

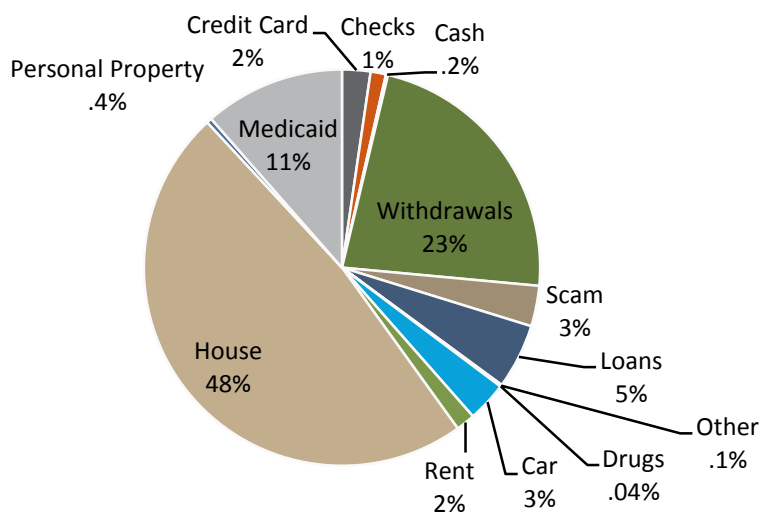


3.7 Financial Institution Related Transactions and Withdrawals

Examination of the data indicates that 23% of the total amount stolen involved bank withdrawals and, in 39% of the cases, perpetrators accessed the money via a withdrawal from the senior's account. Yet only 21% of Adult Protective Services referrals came from financial institutions. This discrepancy demonstrates that Adult Protective Services needs to work more closely with financial institutions in identifying and reporting suspected financial exploitation.

Disturbingly, 48% of the total amount stolen involved a "transfer" or theft of a house.

Chart M - Amount of Exploitation Per Type



3.8 Potential Utah Medicaid Cost

Some of these cases involved a senior being exploited to such an extent that the senior was either now on Medicaid or was in the application process.⁹ Attempting to estimate a loss to Medicaid is challenging and assumes that the significant amounts stolen propelled the seniors to qualify for Medicaid, but for the exploitation would not have occurred, and that the senior would not gain assets and thus would be on Medicaid for the duration of their life. All of the seniors in this situation had a significant amount of their life savings stolen. The average amount stolen in those cases was \$483,494.

Using the senior's current age and national life expectancy demographic tables, we estimated the number of years a senior would be on Medicaid. These costs, based on the above assumptions, are estimated to amount to \$884,464 for reported supported cases. Considering that only one in ten cases are ever reported, this cost could potentially reach \$8.8 million.

Again, calculating these costs are challenging and forced us to rely partially on assumptions and thus act only as potential costs that need to be further examined. These estimations, however, paint a picture of the potential Medicaid costs and demonstrate the need for further specific research beyond this exploratory study.

⁹ It is not uncommon for an exploited senior to have difficulty qualifying for Medicaid because the exploitation is often considered a transfer under the Medicaid rules.

4.0 Conclusion

Stealing seniors' assets are estimated to cost Utah anywhere between \$77 million to \$339 million in 2010. This amount—any amount—is too much. Everyone in Utah is losing: seniors, government, banking institutions and taxpayers.

Perpetrators are those closest to seniors: family members, specifically children. A substantial majority of perpetrators are using bank related transactions to steal from seniors. Those with the closest relationships with seniors—yet again children—are using multiple ways to access and exploit seniors.

The estimations in this study paint a picture of the potential costs of exploitation and demonstrate the need for further specific research beyond this exploratory study. This study demonstrates that multidisciplinary collaborations among Adult Protective Services, banks, and law enforcement agencies could help prevent financial exploitation of seniors and thus be highly cost-effective. Specific recommendations include:

4.1 Disseminate Model Bank Program

Adult Protective Services should train and work more closely with banks to enhance the identification and referral of suspected financial exploitation cases to Adult Protective Services. Banks are often in a position to detect financial abuse through suspicious transactions and thus can assist Adult Protective Services and seniors in reporting and preventing abuse. Many banks offer employee policies and training for detecting abuse, but stop there.

Utah has created a model bank program with Bank of American Fork that incorporates a variety of tools and educations to help prevent exploitation.

The bank model includes:

1. Bundling together all existing banking products that could assist a senior in detecting financial exploitation, including a third-party monitoring feature
2. Having an internal policy that trains all employees (not just tellers) on how to detect abuse
3. Appointing one or more employees to be responsible for reporting suspected abuse to APS
4. Requiring all employees to pass a test and be certified in financial exploitation
5. Providing training to account specialists on the pros and cons of different account structures for seniors or people with disabilities that need help with their finances; encouraging seniors to choose account structures that can help prevent exploitation
6. Providing seminars for customers on avoiding financial exploitation

Utah needs to work with other banks and credit unions to adopt this banking model. This model is intended to be a state- and nation-wide model.

4.2 Create Monitoring Option for All Banks

Utah's bank model includes an innovative third-party monitoring option, which allows a senior to authorize a third party view-only access to bank account transactions. This monitoring option allows for transparency in the hopes of preventing or reducing the amount of exploitation. This monitoring option needs to be rolled out across Utah so that all seniors can have access to this option.

4.3 Develop Training to Target Prevention

APS should use these findings to help target prevention. Training to seniors should focus on the methods perpetrators are using to exploit, the dangers of deeding over property, how to appropriately handle finances when one is unable to, the dangers of joint accounts and general financial powers of attorney, and limiting others access to their finances, including their children. Utah Division of Aging and Adult Services recently released *Navigating Your Rights: The Utah Legal Guide for Those 55 and Over*, a comprehensive resource for Utah seniors and their caregivers that discusses how seniors can prevent exploitation and prevent some of the pitfalls mentioned above. Utah needs to aggressively distribute this book throughout Utah.

4.4 Educate Medical Personnel to Detect and Report Exploitation

Only 1% of doctors made supported referrals. In many of the cases involving exploitation, the seniors are isolated due to physical and mental impairments. Abusers try to further isolate seniors as a means to cover the abuse. One of the only points of contact outside of this isolation may be in the doctor's office. Educating the medical world is essential to preventing this exploitation.

4.5 Overcome Barriers to Prosecuting Supported Cases

Barriers to prosecution need to be overcome so that supported cases are successfully prosecuted. Utah needs to dispel the myth that it is difficult to prosecute cases involving family members. Adult Protective Services needs to host a conference inviting leading attorneys who successfully prosecute these cases to teach prosecutors on how to prosecute financial exploitation cases with success.

4.6 Examine Laws Regarding Transferring Property

Almost 50% of the total dollar amount lost involves the transferring of property. Current laws make it easy to transfer property. Utah needs to examine its laws to determine if it can make appropriate changes to make it harder to transfer property or whether safeguards can be added to the process. In addition, we need to educate seniors on the dangers of getting a general financial power of attorney (which includes the power to transfer or sell property) when the senior only needs help with paying bills.

5.0 Acknowledgments

The researcher wishes to thank the seniors of Utah who have had the courage to report their exploitation, Adult Protective Services workers—our first responders who tirelessly work to help prevent and stop exploitation, Emily Haleck and Sharon Bertlesen for editing this report on short notice; Lisa Enrico for her assistance; and Professor Warne, George Mason University for reviewing this study. Thanks also to Nan Mendenhall, Utah Director of Adult Protective Services and Diane Stewart, former Utah Director of Adult Protective Services, for their cooperation, support and seeing the potential for the role that Legal Services Developers should have within the elder rights field. For additional information please contact Jilene Gunther, jgunther@utah.gov.